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SUBJECT: SERBIA REACTS TO EU DECISION NOT TO IMPLEMENT INTERIM TRADE AGREEMENT

REF: A) BELGRADE 958, B) BELGRADE 928, C) BELGRADE 913

Summary

1. (SBU) The European Union's September 15 decision not to approve the Interim Trade Agreement with Serbia was met with disappointment, and some anger, in the Serbian government. Opposition parties are using the decision to claim that the EU will "blackmail" Serbia into recognizing Kosovo as a condition of membership. While the Serbian government will continue to work steadily toward European integration, the EU's decision is a setback for the ruling parties' efforts to demonstrate tangible results from politically difficult moves such as the arrest of Radovan Karadzic. End Summary.

Government Reaction: Disappointment

2. (U) Serbian government officials expressed disappointment regarding the September 15 decision of the European Union Council of Ministers not to approve the Interim Trade Agreement with Serbia. Hopes had been high before the meeting that the EU would approve the agreement in recognition of the arrest of Radovan Karadzic (Ref A). Foreign Minister Vuk Jeremic told the press on September 15 that the Ministers' decision was "not a defeat, but rather a delay of the next step towards the Union." Jeremic attributed the Netherlands' decision to block EU consensus on implementing the agreement to its broader opposition to EU enlargement, adding that once ICTY cooperation was completed "Holland will no longer have any argument against."

3. (U) Deputy Prime Minister for European Integration Bozidar Djelic's initial reaction was stronger, claiming that "Holland committed a great injustice against Serbia." He added that support for Serbia was growing within the EU, and that Serbia would continue to fulfill all its obligations necessary for Serbia's European integration. Djelic, whose earlier comments raised expectations before the EU meeting, appeared to try to dampen expectations on September 16 when he announced that the next opportunity to unfreeze the Agreement would be in December after The Hague tribunal's Chief Prosecutor Serge Brammertz submitted his report to the UN Security Council. (Dusan Ignjatovic, director of the Office of the National Council for Cooperation with the ICTY, expressed his frustration to us on September 15 that Brammertz had declined to make a formal report to the EU Council of Ministers following his September 10-11 visit to Belgrade.)

4. (SBU) Djelic advisor Ksenija Milivojevic told us on September 17 that the Serbs were particularly disappointed because they felt Dutch Foreign Minister Maxime Verhagen had personalized the issue; he reportedly said that "ICTY cooperation exists when I say it exists." Milivojevic pointed out that beyond the approval of the Interim Trade Agreement there were two additional steps -- ratification of the Stabilization and Association Agreement (SAA) and candidate status -- that would be conditioned on ICTY

cooperation. While Serbia did not expect a quid pro quo for Karadzic's arrest, it now appeared that the EU had done nothing in response and reinforced the public sentiment that Serbia could never do enough to meet international demands. This had made some in government reluctant to "help" the EU on EULEX, since that would be seen by the public as Serbia submitting to the European Union, said Milivojevic. The first package of EU legislation would nevertheless be introduced next week in Parliament.

15. (SBU) Susana Grubjesic, G-17 Plus parliamentary whip, also told us on September 17 that her party was very disappointed by the outcome in Brussels. She thought that Djelic's comments in advance of the meeting had raised expectations needlessly, but placed most of the blame on the EU for not acknowledging Serbia's efforts. Grubjesic said her party supported the opposition's request for debate of the EU decision as a means to educate the public; since 2001, she said, the Parliament had adopted 15 resolutions on Kosovo and only one on European integration. She commented that she was puzzled by EU Enlargement Commissioner Olli Rehn's suggestion that Serbia should unilaterally implement parts of the trade agreement; it was not clear to her what provisions Rehn was referring to.

Opposition Reaction: "Blackmail"

16. (SBU) The opposition Democratic Party of Serbia (DSS) and Serbian Radical Party (SRS) described the Council of Ministers' decision as "the continued EU policy of blackmail toward Serbia," aimed to force Serbia to recognize Kosovo's independence. Referring to the multiple opposition statements critical of the government, Milivojevic commented to us that EU decision had come at the very moment (Ref B) when there was an opportunity to attract SRS voters who supported the EU into the DS or other pro-European parties. The

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rebuff by Brussels would instead drive these voters toward the backward-looking elements in the SRS. (The same could be said for DSS members who are considering jumping ship; Ref C.)

Vuk Visits the Wrong Capital

17. (SBU) According to former Yugoslav Ambassador to the EU Mihajlo Crnobrnja, "this just shows how little this government understands how the EU works." He told us on September 16 that Serbia was wasting its time going to Brussels to pressure the EU to convince the Dutch. "They needed to go to The Hague and talk to them directly," he said. Crnobrnja thought the EU would approve the agreement eventually, but said the bar remained the same, "not without arresting Mladic first."

Comment

18. (SBU) Disappointment in the EU's decision is palpable in Belgrade, even among people who were aware that the Dutch were unlikely to change their position. While the setback is unlikely to have a significant negative impact on the Serbian government's efforts to pursue European integration, as Milivojevic pointed out it hurts the efforts of the pro-European political parties to broaden their base by attracting supporters from the remnants of the SRS and DSS. Serbia's politicians would be well advised to carefully calibrate public expectations of European accession and not promise too much too soon. End Comment.

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